



The Daily Dish

Biden, Climate, and the Regulatory Burden

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On Veterans Day, the Environmental Protection Agency (EPA) released a proposed rule regulating methane emissions with a cost burden of \$12 billion. This was a wake-up call on several fronts. First, if the Biden Administration makes it a practice to roll out a new regulation of this type every federal holiday, it guarantees an annual regulatory cost north of \$130 billion. More seriously, it was a reminder that climate change is the stated top policy priority, and that the administration is wedded to a regulation-heavy approach to emissions reductions. Eakinomics has long felt that the combination is potentially quite daunting.

The methane rule is illuminating in this regard. As noted by Daniel Bosch in his [review](#), the proposal is actually a supplemental rule to the 2021 rule on methane emissions from oil and gas operations. It makes more stringent requirements to find and fix emissions leaks from equipment. As Bosch puts it: “Whereas the 2021 proposal relied on estimating a site’s emissions due to leaks, the supplemental proposal relies instead on the types and amount of equipment present at the site. EPA argues that this approach will make it easier for industry to comply. It also expands the coverage of the rule. The 2021 proposal exempted smaller emitters from the requirement. The supplemental proposed rule eliminates those exemptions.”

It also now will cover abandoned and unplugged wells, as well as increasing the stringency of requirements pertaining to flaring, pneumatic pumps, and dry seal compressors. Per Bosch: “It would also create a Super-Emitter Response Program for sites that emit a lot of methane. A small number of sites contribute about half of the industry’s emissions, and the program will allow EPA to focus on these areas, according to the agency.”

This is the key point, however: The supplemental rule costs nearly double the 2021 rule but generates less in climate benefits. The diminishing (marginal) benefit and rising (marginal) cost is an example of a more general phenomenon. As the administration tries to drive the U.S. economy to net zero emissions, it will become increasingly costly to get the last reductions. But beware the costs to the economy.